

TWENTIETH ANNIVERSARY

What Makes **NEW YORK**

Value of appraisal firms goes through the roof

Companies lay on more staff to keep up with demand; price rises elusive

BY VICTORIA RIVKIN

NEARLY TWO YEARS ago, Steven Schleider and a colleague decided to take a chance. They quit their jobs at a big real estate valuation firm and set up their own shop.

Good move.

Today, their Manhattan-based firm, Metropolitan Valuation Services, boasts 16 appraisers and a list of clients that includes Bank of America and Bear Stearns.

"(The appraisal industry) is the best-kept secret in real estate," says Mr. Schleider.

Courtesy of the great real estate boom, of record numbers of buildings changing hands, and of a crush of owners refinancing their existing holdings, the appraisal industry is burgeoning. Each of those transactions requires an independent opinion as to the true value of the prop-

erty. That is where the city's roughly 1,400 real estate appraisers, a third of whom specialize in commercial real estate, come in.

On a binge

"INTEREST RATES HAVE been driving the practice," says Mark Pomykacz, president of the local chapter of the Appraisal Institute.

In response, many new firms such as Mr. Schleider's have sprung up in the past five years, and many older firms have gone on a hiring binge.

In that same time, the valuation and advisory services group within CB Richard Ellis' Manhattan office

has been doubled to 16 appraisers. Others have not been able to hire fast enough.

"The volume has been so huge and the pressure to do the work in too short a time so great, that we have had to turn work down," says John Cicero, managing principal and co-founder of Miller Cicero, a Manhattan-based appraisal firm with five professionals.

At Cushman & Wakefield Inc., owner of the largest appraisal shop in the city, with 38 appraisers, assignments jumped by 25% in 2004.

With so much growth so fast, many in the industry are wondering

ASSAYING APPRAISERS

LICENSED APPRAISERS IN NEW YORK STATE: 3,900

COMMERCIAL APPRAISERS: Approximately 1,500

RESIDENTIAL APPRAISERS: Approximately 2,400

AVERAGE SIZE OF FIRM: Five to 10 appraisers

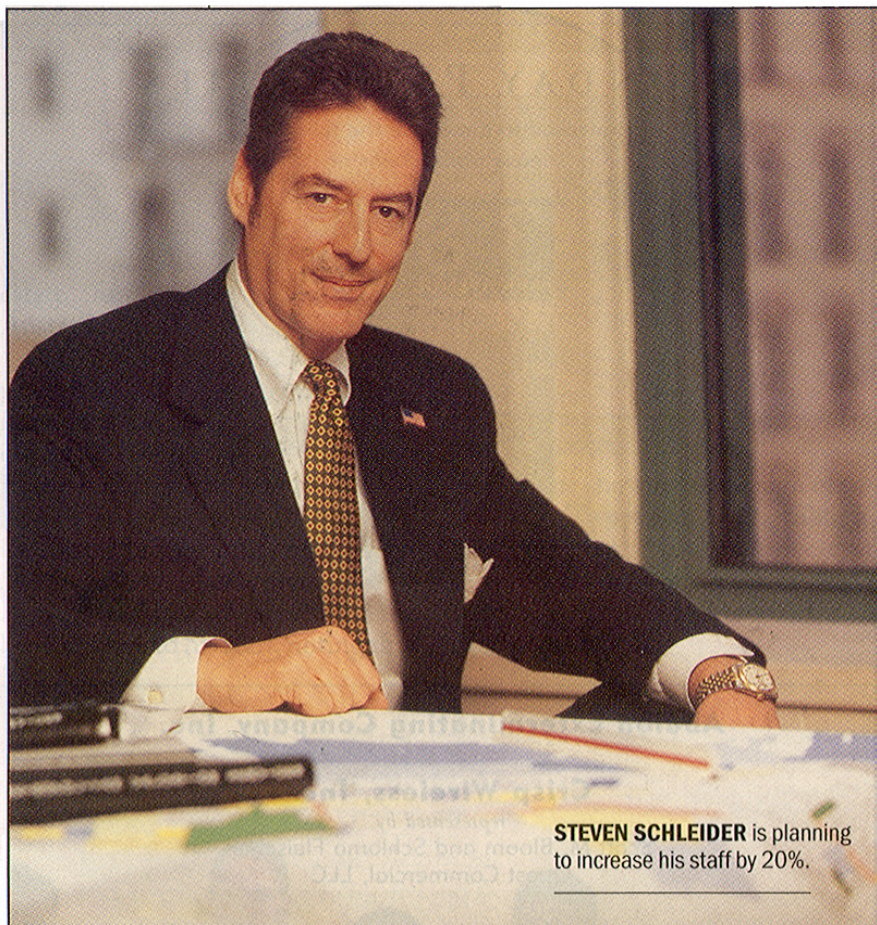
SALARY RANGE FOR EXPERIENCED APPRAISERS: \$65,000 to \$120,000

RECENT FEE EXAMPLES:

600-unit NYC apartment building—\$6,000

800,000-square-foot NYC office building—\$7,500

SOURCE: NEW YORK STATE BOARD OF REAL ESTATE APPRAISAL



STEVEN SCHLEIDER is planning to increase his staff by 20%.

KARJEAN LEVINE

what will happen when the forecast uptick in long-term interest rates starts to bite into the volume of both property sales and refinancings—which account for three-quarters of the deal volume.

Danger lurks

WITH ONLY A SLIGHT rise in fees in the past decade, and with huge increases in professional staff, the industry has had to rely on expanding volume to sustain its revenue growth.

"If volume drops, we can have a loss really quickly," says Robert Von Ancken, executive managing director of Grubb & Ellis' valuation and

advisory group. In the slowdown in the early 1990s, Mr. Von Ancken recalls, his firm and many others actually lost money.

With demand still strong, however, most firms feel that they have little choice but to meet it. Mr. Schleider, for one, plans to increase his appraisal staff by 20% this year.

Others are seeking to hedge their bets a bit by edging into other businesses. Many are acting as advisers to developers, providing feasibility studies and working with lawyers on property disputes. The advantages are a more predictable work flow and higher margins. ■